

**GENERAL PURPOSE FINANCIAL  
STATEMENTS AND REPORT  
OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**WINGS CHARTER MIDDLE SCHOOL, INC.**

**TWIN FALLS COUNTY  
STATE OF IDAHO**

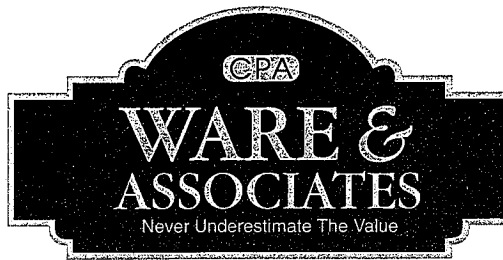
**June 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Wings Charter Middle School, Inc.

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wings Charter Middle School, Inc., as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Education and management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The Wings Charter Middle School, Inc. has not implemented Governmental Accounting Standards Board (GASB) Statement 45. GASB Statement 45, is an accounting and financial reporting provision requiring government employers to measure and report the liabilities associated with other (than pension) post employment benefits (or OPEB). Reported OPEBs may include post-retirement medical, pharmacy, dental, vision, life, long-term disability and long-term care benefits that are not associated with a pension plan. Government employers required to comply with GASB 45 include all states, towns, education boards, water districts, mosquito districts, public schools and all other government entities that offer OPEB and report under GASB. Typically an actuary (or actuaries) with both pension and health experience must perform the calculations following generally accepted actuarial methods. GASB 45 was instigated by the Governmental Accounting Standards Board (GASB) in July 2004 because of the growing concern over the potential magnitude of government employer obligations for post-employment benefits. The District qualified for Phase 3 implementation. Phase 3 is for employers with annual revenues less than \$10 million and should be implemented in fiscal years beginning after December 15, 2008. We were unable to satisfy ourselves by appropriate audit tests or by other means as a result of this non-implementation or of such incomplete records, we express no opinion on the OPEB liability.

In our opinion, except for the valuation of the OPEB liability noted in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of the Wings Charter Middle School, Inc. as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated August 18, 2011, on our consideration of Wings Charter Middle School, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control financial reporting and compliance and the results of reporting or on compliance and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Wings Charter Middle School, Inc. has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 25 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wings Charter Middle School, Inc. basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Ware & Associates*

Twin Falls, Idaho  
August 18, 2011



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Wings Charter Middle School, Inc.

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wings Charter Middle School, Inc., as of and for the year ended June 30, 2011, which collectively comprise the Wings Charter Middle School, Inc.'s basic financial statements and have issued our report thereon dated August 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Wings Charter Middle School, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Wings Charter Middle School, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Wings Charter Middle School, Inc.'s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Wings Charter Middle School, Inc.'s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in items 2011-1 and 2011-2 of the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wings Charter Middle School, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, school board trustees, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ware & Associates

**Wings Charter Middle School, Inc.**

**Twin Falls, Idaho**

**STATEMENT OF NET ASSETS**

**June 30, 2011**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 254,875
State and federal receivables (net)	<u>82,567</u>
Total assets	<u>337,442</u>
Non-current assets:	
Vehicles, furniture, and equipment	5,280
Less: Accumulated depreciation	( <u>2,112</u> )
Total non current assets	<u>3,168</u>
Total assets	<u>340,610</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts, salaries and other payables	78,415
Deferred revenue	<u>59,373</u>
	<u>137,788</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,168
Restricted for:	
Other expense	7,836
Unrestricted	<u>191,818</u>
Total net assets	<u>\$ 202,822</u>

The accompanying notes are an integral part of this basic financial statement.



**Wings Charter Middle School, Inc.**

**Twin Falls, Idaho**

**STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2011**

		<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>FUNCTION/PROGRAMS</b>				
<b>Governments activities</b>				
Instruction	\$ 603,802	\$ 0	\$ 0	(\$ 603,802)
Support services	507,033	0	0	( 507,033)
Depreciation	<u>1,056</u>	<u>0</u>	<u>0</u>	( <u>1,056</u> )
<b>Total governmental       activities</b>	<b><u>\$ 1,111,891</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b>( <u>1,111,891</u>)</b>
<b>General Revenues</b>				
<b>Grants and contributions not restricted to specific programs</b>				
State foundation program				913,438
Other - federal				194,827
Other local revenue				5,183
Contributions				<u>100,000</u>
<b>Total general revenues and special items</b>				<b><u>1,213,448</u></b>
<b>Changes in net assets</b>				<b>101,557</b>
<b>Net assets - beginning</b>				<b><u>101,265</u></b>
<b>Net assets - ending</b>				<b><u>\$ 202,822</u></b>

The accompanying notes are an integral part of this basic financial statement.

Wings Charter Middle School, Inc.

Twin Falls, Idaho

GOVERNMENTAL FUNDS  
BALANCE SHEET

June 30, 2011

	General Fund	Albertson's	Charter School	Planning & Implementation	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 98,495	\$ 89,817	\$ 42,757	\$ 16,750	\$ 7,056	\$ 254,875
Receivables:						
Other governments	74,935	0	0	0	7,632	82,567
Total assets	\$ 173,430	\$ 89,817	\$ 42,757	\$ 16,750	\$ 14,688	\$ 337,442
<b>LIABILITIES AND FUND EQUITY</b>						
Liabilities						
Accrued salaries and benefits	\$ 63,593	0	134	0	14,688	\$ 78,415
Deferred revenue	0	0	42,623	16,750	0	59,373
Total liabilities	63,593	0	42,757	16,750	14,688	137,788
Fund equity - fund balances						
Unreserved						
Designated	7,836	0	0	0	0	7,836
Undesignated	102,001	89,817	0	0	0	191,818
Total fund balance	109,837	89,817	0	0	0	199,654
Total liabilities and fund equity	\$ 173,430	\$ 89,817	\$ 42,757	\$ 16,750	\$ 14,688	\$ 337,442

The accompanying notes are an integral part of this basic financial statement.

**Wings Charter Middle School, Inc.**

**Twin Falls, Idaho**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**

**June 30, 2011**

<b>Total Governmental Fund Balances</b>	<b>\$</b>	<b>199,654</b>
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**Amounts reported for *governmental activities* in the Statement  
of Net Assets are different because:**

**Capital assets used in government activities are not financial resources  
and therefore are not reported in the funds.**

<b>Governmental capital asset</b>	<b>\$</b>	<b>5,280</b>	
<b>Less accumulated depreciation</b>	<b>(</b>	<b><u>2,112</u></b>	
			<b><u>3,168</u></b>

<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u><u>202,822</u></u></b>
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**The accompanying notes are an integral part of this basic financial statement.**

Wings Charter Middle School, Inc.

Twin Falls, Idaho

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

For the year ended June 30, 2011

	General Fund	Albertson's	Charter School	Planning & Implementation	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Local revenue						
Other	\$ 5,183	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,183
State revenue	913,438	0	0	0	0	913,438
Federal revenue	0	0	141,969	0	52,858	194,827
Other revenue	0	100,000	0	0	0	100,000
Total revenues	<u>918,621</u>	<u>100,000</u>	<u>141,969</u>	<u>0</u>	<u>52,858</u>	<u>1,213,448</u>
<b>EXPENDITURES</b>						
Current:						
Instruction	360,347	48,469	141,969	0	53,017	603,802
Support service	507,033	0	0	0	0	507,033
Total expenditures	<u>867,380</u>	<u>48,469</u>	<u>141,969</u>	<u>0</u>	<u>53,017</u>	<u>1,110,835</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	51,241	51,531	0	0	( 159)	102,613
Fund balance, July 1, 2010	<u>58,596</u>	<u>38,286</u>	<u>0</u>	<u>0</u>	<u>159</u>	<u>97,041</u>
Fund balance, June 30, 2011	<u>\$ 109,837</u>	<u>\$ 89,817</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 199,654</u>

The accompanying notes are an integral part of this basic financial statement.

**Wings Charter Middle School, Inc.**

**Twin Falls, Idaho**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ACTIVITIES**

**For the year ended June 30, 2011**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 102,613</b>
<b>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</b>	
<b>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.</b>	
<b>Less current year depreciation</b>	<b>( <u>1,056</u> )</b>
<b>Change in net assets in governmental activities</b>	<b>\$ <u>101,557</u></b>

**The accompanying notes are an integral part of this basic financial statement.**

**Wings Charter Middle School, Inc.**

**Twin Falls, Idaho**

**STATEMENT OF NET ASSETS - FIDUCIARY FUND**

**June 30, 2011**

	<u><b>Student Activity Funds - All Schools</b></u>
<b>Assets</b>	
<b>Cash and investments</b>	<b><u>\$        6,411</u></b>
<b>Liabilities</b>	
<b>Due to Student Groups</b>	<b><u>        6,411</u></b>
<b>Net Assets</b>	<b><u>\$          0</u></b>

**The accompanying notes are an integral part of this basic financial statement.**

Wings Charter Middle School, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Wings Charter Middle School, Inc. have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The more significant of the government's accounting policies are described as follows:

1. Reporting Entity

Each Idaho school Charter School is a body corporate (Idaho Code 33-301). The authority to govern, which resides in the Board of Trustees, has been extended to the Charter School by the state (Idaho Code 33-501). In its corporate capacity, Wings Charter Middle School, Inc. may sue and be sued and may acquire, hold and convey real and personal property necessary to its existence. The Charter School has the authority to issue negotiable bonds and incur other debt as provided by law. Also, each Charter School is a political subdivision of the State of Idaho. The Board has broad financial responsibilities including approval of the annual budget, and the establishment of a system of accounting and budgetary controls.

The financial reporting entity consists of a primary government and its component units. The Charter School is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the Charter School for financial statement presentation purposes, and the Charter School is not included in any other governmental reporting entity. Consequently, the Charter School's financial statements include the funds of those organizational entities for which its elected governing board is financial accountable. The Charter School's major operations include education, pupil transportation, construction and maintenance of Charter School facilities, and food services.

2. Government - Wide and Fund Financial Statement

The government - wide financial statements (i.e. the statements of net assets and the statement of activities) present financial information about the Charter School as a whole. The reported information includes all of the non-fiduciary activities of the Charter School. For the most part, the effect of inter-fund activity has been removed from these statements. These statements are to distinguish between the *governmental* and *business type* activities of the Charter School. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Charter School does not have any business type activities.

Wings Charter Middle School, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Government - Wide and Fund Financial Statement - continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, state aid, and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for government and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basic of Accounting, and Financial Statements Presentation

Government - Wide Financial Statements - The government - wide financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule the effect of inter-fund activity has been eliminated from the government - wide financial statements.

Fund Financial Statements - Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service resources are provided during the current year for payment of general long-term debt principal and interest due early in the following year and, therefore, the expenditures and related liabilities have been recognized. Compensated absences are recorded only when payment is due.

State aid and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenues also arise when resources are received by the Charter School before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.



Wings Charter Middle School, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus, Basic of Accounting, and Financial Statements Presentation - continued

The Charter School reports the following major governmental funds:

General Fund - The General Fund accounts for all resources used to finance Charter School maintenance and operation except for those required in other funds. This fund is also referred to as the Maintenance and Operation Fund.

Albertson's Fund - The Albertson Foundation awards educational institutions money to be used for computer technology.

Charter School Fund - Grant money received for the formation of new Charter Schools.

Planning & Implementation Fund - A Fund used for planning and implementation.

Additionally, the Charter School reports the following fund type:

Fiduciary Fund - The Fiduciary Fund accounts for assets held by the Charter School on behalf of others and include the Student Activity Fund for all schools. This fund accounts for monies raised by students to finance student clubs and organizations held by the Charter School as an agent.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Bureau.

When both restricted and unrestricted resources are available for use, it is the Charter School's practice to use restricted resources first, then unrestricted resources as they are needed.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

4. Investments

Investments are deposited in the Idaho State Treasurer's Local Government Investment Pool (LGIP). State Statute authorizes the Charter School to invest in obligations of the U.S. Treasury, The State of Idaho, or county, city or other taxing Charter School of the State of Idaho, commercial paper, corporate bonds and repurchase agreements. Investments are stated at fair value which approximates market value. The State Treasurer LGIP funds are invested in FDIC and SLIC insured accounts. Interest earned from investments is allocated to major funds based on their average balances for the month interest is earned. Funds to which interest is always allocated include the General Fund, the Debt Service Fund and the Capital Projects funds.

Wings Charter Middle School, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Investment Income

Investment income is composed of interest and net changes in the fair market value of applicable investments. Investment income is reported as earnings on investment in the fund financial statements.

6. Receivables and Payables

Receivables as stated in the balance sheet are considered collectible by the Board of Trustees; accordingly, an allowance for uncollectible accounts is not considered necessary nor is one applied to receivables.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from" other funds.

7. Prepaid Supplies and Inventories

Prepaid supplies are valued at cost on a first-in, first-out basis. The Charter School maintains a limited inventory of high volume items that are best purchased in large lots and are expensed when used. These are carried in current assets in fund financial statements and are always consumed within one year.

8. Capital Assets

Capital assets which include land and improvements, buildings and improvements, vehicles, furniture, equipment and construction in progress, are reported in the government - wide financial statements.

Capital assets are defined by the Charter School as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight line method over the estimated useful life using the following as a guideline:

Buildings and improvements	50-75 years
Vehicles, furniture and equipment	10-20 years

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Compensated Absences

Accumulated Unpaid Vacation, Sick Pay and Other Employee Benefit Amounts

Accumulated vacation, sick pay and employee benefit amounts have not been accrued when incurred as such amounts do not exceed normal years accumulations and are not material.

Retirement System - The Charter School participates in the Public Employee Retirement System of Idaho (PERSI). PERSI is a multiple employer retirement plan with cost-sharing arrangements shared equally. All risks and costs, including benefit costs, are shared proportionately by the participating entities.

10. Long-Term Obligations

In the government - wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Contracts Payable - The long-term liability payments for the Charter School's contracts payable are recorded in the Governmental Funds as expenditures.

General Obligation Bonds Payable - The long-term liability payments for the Charter School's general obligation bonds are recorded in the Governmental Funds as expenditures.

11. Net Assets

In the fund financial statements, government funds report reservations of net assets for amounts that are not available for expenditures or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

Reserved balances reported are:

Debt Service - 19 month reserves for future bond and interest redemption.

Other activities - are funds from grants that are carried over into the next fiscal year without stipulation as to time when funds must be expended. However, these funds have specific uses restricted by the grant award.

The Charter School recognized as reserved net assets amounts that relate to open purchase orders and uncompleted contracts at June 30.

Wings Charter Middle School, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Inter-fund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers between government funds are eliminated in the statement of activities. Inter-fund financial statements are reported as a subset of other financing sources/uses.

13. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reporting amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets are adopted on a basis consistent with governmental accounting principles utilizing the modified accrual basis of accounting. Annual appropriated revenue and expenditure budgets are adopted for general, special revenue, debt service and capital funds. All annual appropriations lapse at fiscal year end. Expenditures may not legally exceed budgeted appropriations at the fund total level.

Encumbrances represent commitments to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. At the end of the year these items are expensed and accrued to the balance sheet as liabilities to report them in the period they were actually committed.

Wings Charter Middle School, Inc. adheres to school Charter School budget requirements in Title 33, Chapter 8 of the Idaho Code. The provisions of this section include the following procedures to establish the budgetary data which is reflected in these financial statements.

1. No later than 28 days prior to the Board's annual meeting a budget shall be prepared and a public hearing held thereon.
2. No later than 14 days after the public hearing the budget shall be adopted by a favorable vote of a majority of the members of the Board. The final budget must be forwarded to the State Department of Education.
3. Budget revisions may not be made without prior approval of the School Charter School's Board, following a scheduled and noticed public hearing. The adjustment must be approved by 60% of the Board. Management may amend the budget by transferring account allocations within a fund that do not increase the total budget without seeking approval of the Board of Trustees.

Wings Charter Middle School, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE C - CASH AND EQUIVALENTS

Deposits and investments are carried at fair value. A reconciliation of cash and investments at June 30, 2011, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 254,875
Carrying amount of investments	<u>0</u>
Governmental funds cash and investments	<u>\$ 254,875</u>
Statement of net assets cash and investments	\$ 254,875
Student Activity Fund cash and investments	<u>6,411</u>
Total cash and investments	<u>\$ 261,286</u>

The Charter School complies with the Idaho code, Title 67, Chapter 12 in handling its depository and investing transactions. Charter School funds are deposited in qualified depositories as defined by the Code. The Act also authorizes the Charter School to invest. See CF Note A4.

Investments are deposited in the Idaho State Treasurer's Local Government Investment Pool (LGIP). State Statute authorizes the Charter School to invest in obligations of the U.S. Treasury, the State of Idaho, or county, city or other taxing Charter School of the State of Idaho, commercial paper, corporate bonds, and repurchase agreements. Investments are state at fair value which approximates market value. The State Treasurer LGIP funds are invested in FDIC and SLIC insured accounts. The degree of risk of the LGIP depends upon the underlying portfolio.

The code governs the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of depository shall remain in effect. The Charter School considers the actions of the State to be a helpful oversight for protection of its uninsured bank deposits.

1. Deposits:

At June 30, 2011, the Charter School (including Student Activity Fund) have the following deposits with financial institutions:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Amount Insured</u>
Wings Charter Middle School, Inc.	\$ <u>261,286</u>	\$ <u>268,259</u>	\$ <u>250,000</u>

Custodial credit risk - Custodial credit risk for deposits is the risk that, in the event of a bank failure, a governments' deposits may not be returned to it. The Charter School does not have a formal deposit policy for custodial credit risk. At June 30, 2011, \$18,259 of the Charter School's bank deposits was uninsured and uncollateralized.

**Wings Charter Middle School, Inc.**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE C - CASH AND EQUIVALENTS - CONTINUED**

**2. Investments:**

At June 30, 2011, the Charter School (including the Student Activity Fund) had the following investments summarized by investment type and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	5-10	More Than 10
Wings Charter Middle School, Inc.:					
Idaho State					
Treasurers Pool	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

- a. **Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Charter School manages its exposure to interest rate risk by complying with the Idaho code which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested.
- b. **Credit Risk** - Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Charter School's policy for reducing its exposure to credit risk is to comply with the Idaho Code and related rules. The Charter School has no investment policy that would further limit its investment choices. At June 30, 2011, the Charter School has the following investments subject to credit risk:

Investment Type	Fair Value	Credit Quality Ratings		
		AA/A	Less Than A	Unrated
Wings Charter Middle School, Inc.:				
Idaho State Treasurers Pool	\$ 0	\$ 0	\$ 0	\$ 0

- c. **Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Charter School's policy for managing this risk is to comply with the Code and related rules.

Wings Charter Middle School, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE C - CASH AND EQUIVALENTS - CONTINUED

- d. Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counter party, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Charter School's policy for managing this risk is to comply with the Idaho Code and related rules. The Charter School places no other limit on the amount of investments to be held by counter parties. As of June 30, 2011, \$18,259 of the government's bank balance of \$268,259 was exposed to custodial credit risks as follows:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Collateralized:	
Collateral held by Charter School's agent in the Charter School's name	0
Collateral held by pledging bank's trust department in the Charter School's name	0
Collateral held by pledging bank's trust department not in the Charter School's name	0
Uninsured and uncollateralized	<u>18,259</u>
Total deposits	<u>\$ 268,259</u>

**Wings Charter Middle School, Inc.**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE D - RECEIVABLES**

Receivables as of year end for the Charter School's individual major funds and non-major funds in the aggregate are as follows:

	<u>General Fund</u>	<u>Albertsons</u>	<u>Charter Service</u>	<u>Planning &amp; Implementation</u>	<u>Other Non-major Funds</u>	<u>Total Governmental Funds</u>
Due from other governments:						
Due from Federal Gov't	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,632	\$ 7,632
Due from State Gov't	74,935	0	0	0	0	74,935
	<u>\$ 74,935</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,632</u>	<u>\$ 82,567</u>

**NOTE E - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 0	\$ 0	\$ 0	\$ 0
Building and improvements	0	0	0	0
Equipment	5,280	0	0	5,280
Transportation equipment	0	0	0	0
Total	<u>5,280</u>	<u>0</u>	<u>0</u>	<u>5,280</u>
Buildings and grounds	0	0	0	0
Equipment	<u>1,056</u>	<u>1,056</u>	<u>0</u>	<u>2,112</u>
Total accumulated depreciation	<u>1,056</u>	<u>1,056</u>	<u>0</u>	<u>2,112</u>
Capital assets, net	<u>\$ 4,224</u>	<u>( \$ 1,056)</u>	<u>\$ 0</u>	<u>\$ 3,168</u>

**NOTE F - PAYABLES, ACCRUALS AND SIGNIFICANT COMMITMENTS**

Payables and accruals include amounts due vendors for items received by the Charter School to June 30, 2011 and amounts due teachers and other yearly employees contracted from September 1, 2010 through August 31, 2011. Fund balances are presented showing encumbrances reflecting outstanding purchase orders and significant contractual arrangements.

**NOTE G - DEFERRED REVENUES**

Deferred revenues include amounts not recognized as income during the 2010-2011 school year. These amounts include reimbursements from the State of Idaho, unspent Federal program and grant funds and collections on uncompleted summer school courses.



Wings Charter Middle School, Inc.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE H - CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Charter School expects such amounts, if any, to be immaterial.

NOTE I - RISK MANAGEMENT

The Charter School purchases commercial insurance to cover the risk of property loss and legal liability through a local agent. The insurer, provides a full schedule of coverage to meet various risks of loss related to torts, theft of or damage to and destruction of assets, errors and omissions, and natural disasters. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. Limits of coverage are as follows:

<u>Insurance Category</u>	<u>Limits of Coverage</u>
Property Insurance	\$150,000 in the aggregate
Flood	\$150,000 in the aggregate
Earthquake	\$150,000 in the aggregate
Comprehensive General liability	\$2 million per occurrence
Automobile Liability	\$3 million per occurrence
School Board Legal Liability	\$2 million per claim - total per year
Faithful Performance Blanket Bond and Crime Coverage	\$300,000 in the aggregate
Sexual and Physical Abuse	\$2 million per claim - total per year

NOTE J - RETIREMENT PLAN

Public Employee Retirement System of Idaho-The Public Employee Retirement system of Idaho (PERSI), a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school Charter School employees, the legislation provided for political subdivision to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each year of credited service, the annual service retirement allowance is 2.0 percent of the average monthly salary for the highest consecutive 42 months.

**Wings Charter Middle School, Inc.**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE J - RETIREMENT PLAN - CONTINUED**

The contribution requirements of the Wings Charter Middle School, Inc. and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2011, the required contribution rate for general employees was 10.39% and 6.23% of covered payroll for the Wings Charter Middle School, Inc. and its employees, respectively. The Wings Charter Middle School, Inc. contributions required and paid were \$24,802 and \$39,517 for the years ended June 30, 2010 and 2011, respectively.

**NOTE K - EXPENDITURES OVER BUDGET**

There were budget expenditures that exceeded appropriations in the following fund:

GENERAL FUND	( \$	43,286)
ALBERTSON'S FUND	(	48,469)

**NOTE L - COMPLIANCE WITH IDAHO CODE**

The independent audit of the School's records for the fiscal year ended June 30, 2011, was made for the purposes of forming an opinion on the general purpose financial statements taken as a whole. The financial activities and records were reviewed for compliance with applicable Idaho laws and regulations only to the extent needed to form an opinion on the financial statements. Based on the limited procedures performed, no items of noncompliance were noted, except for budget violations.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

Wings Charter Middle School, Inc.

Twin Falls, Idaho

General Fund

BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable ( Unfavorable )
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Local Revenue				
Other local revenue	\$ 0	\$ 0	\$ 5,183	\$ 5,183
State support				
Base support	673,807	673,807	720,574	46,767
Transportation	65,000	65,000	50,099	( 14,901)
Benefits apportionment	70,287	70,287	72,277	1,990
Other state support	0	0	70,488	70,488
Total state support	809,094	809,094	913,438	104,344
Federal sources				
Federal funds	0	0	0	0
Total revenues	809,094	809,094	918,621	109,527
<b>Expenditures</b>				
Current				
Instruction				
Secondary				
Salaries	252,243	252,243	248,402	3,841
Benefits	118,719	118,719	106,730	11,989
Supplies	1,200	1,200	1,165	35
Total Secondary	372,162	372,162	356,297	15,865
Exceptional Child				
Supplies	4,000	4,000	4,050	( 50)
Total Exceptional Child	4,000	4,000	4,050	( 50)
Total Instruction	376,162	376,162	360,347	15,815

Wings Charter Middle School, Inc.

Twin Falls, Idaho

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable ( Unfavorable )
	<u>Original</u>	<u>Final</u>		
Expenditures - continued				
Current - continued				
Attendance/Guidance/Health				
Salaries	\$ 22,740	\$ 22,740	\$ 21,491	\$ 1,249
Benefits	11,475	11,475	10,108	1,367
Total attendance/guidance/health	<u>34,215</u>	<u>34,215</u>	<u>31,599</u>	<u>2,616</u>
Ancillary Services				
Purchased services	<u>29,527</u>	<u>29,527</u>	<u>42,486</u>	( <u>12,959</u> )
Board of education				
Purchased services	<u>5,600</u>	<u>5,600</u>	<u>7,154</u>	( <u>1,554</u> )
District administration				
Purchased services	100	100	3,634	( 3,534 )
Supplies	<u>3,100</u>	<u>3,100</u>	<u>4,478</u>	( <u>1,378</u> )
Total district administration	<u>3,200</u>	<u>3,200</u>	<u>8,112</u>	( <u>4,912</u> )
School administration				
Salaries	72,658	72,658	76,740	( 4,082 )
Benefits	19,819	19,819	19,973	( 154 )
Purchased services	<u>1,800</u>	<u>1,800</u>	<u>2,370</u>	( <u>570</u> )
Total school administration	<u>94,277</u>	<u>94,277</u>	<u>99,083</u>	( <u>4,806</u> )
Business Service				
Salaries	35,000	35,000	32,264	2,736
Benefits	12,580	12,580	14,143	( 1,563 )
	<u>0</u>	<u>0</u>	<u>299</u>	( <u>299</u> )
Total business service	<u>47,580</u>	<u>47,580</u>	<u>46,706</u>	<u>874</u>

Wings Charter Middle School, Inc.

Twin Falls, Idaho

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

For the year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable ( Unfavorable )
	<u>Original</u>	<u>Final</u>		
Expenditures - continued				
Current - continued				
Building care				
Purchased services	<u>30,599</u>	<u>30,599</u>	<u>36,499</u>	( <u>5,900</u> )
General maintenance				
Salaries	6,308	6,308	4,778	1,530
Benefits	2,744	2,744	2,541	203
Purchased services	125,432	125,432	151,927	( 26,495 )
Supplies	1,300	1,300	1,364	( 64 )
Equipment	<u>2,150</u>	<u>2,150</u>	<u>0</u>	<u>2,150</u>
Total maintenance building & equipment	<u>137,934</u>	<u>137,934</u>	<u>160,610</u>	( <u>22,676</u> )
Pupil to School Transportation Activities	<u>65,000</u>	<u>65,000</u>	<u>74,784</u>	( <u>9,784</u> )
Total support services	<u>447,932</u>	<u>447,932</u>	<u>507,033</u>	( <u>59,101</u> )
Total expenditures	<u>824,094</u>	<u>824,094</u>	<u>867,380</u>	( <u>43,286</u> )
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	( 15,000 )	( 15,000 )	51,241	66,241
Fund balance at July 1, 2010	<u>58,596</u>	<u>58,596</u>	<u>58,596</u>	<u>0</u>
Fund balance at June 30, 2011	<u>\$ 43,596</u>	<u>\$ 43,596</u>	<u>\$ 109,837</u>	<u>\$ 66,241</u>

Wings Charter Middle School, Inc.

Twin Falls, Idaho

Albertson's Fund

BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable ( Unfavorable )
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Contributions & Donations	\$ <u>0</u>	\$ <u>0</u>	\$ <u>100,000</u>	\$ <u>100,000</u>
<b>Expenditures</b>				
Current				
Instruction				
Dues & fees	0	0	14,911	( 14,911)
Supplies	0	0	14,354	( 14,354)
Equipment	<u>0</u>	<u>0</u>	<u>19,204</u>	( <u>19,204</u> )
Total instruction	<u>0</u>	<u>0</u>	<u>48,469</u>	( <u>48,469</u> )
 EXCESS REVENUE OVER (UNDER) EXPENDITURE	 0	 0	 51,531	 51,531
 Fund balance, July 1, 2010	 <u>38,286</u>	 <u>38,286</u>	 <u>38,286</u>	 <u>0</u>
Fund balance, June 30, 2011	<u>\$ 38,286</u>	<u>\$ 38,286</u>	<u>\$ 89,817</u>	<u>\$ 51,531</u>

Wings Charter Middle School, Inc.

Twin Falls, Idaho

Charter School Fund

BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable ( Unfavorable )
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal grant	\$ <u>200,000</u>	\$ <u>200,000</u>	\$ <u>141,969</u>	( \$ <u>58,031</u> )
Expenditures				
Current				
Instruction				
Salaries & Benefits	26,767	26,767	26,767	0
Purchase services	43,232	43,232	42,032	1,200
Supplies	99,006	99,006	42,175	56,831
Equipment	<u>30,995</u>	<u>30,995</u>	<u>30,995</u>	<u>0</u>
Total instruction	<u>200,000</u>	<u>200,000</u>	<u>141,969</u>	<u>58,031</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURE	0	0	0	0
Fund balance, July 1, 2010	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance, June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>



Wings Charter Middle School, Inc.

Twin Falls, Idaho

Planning & Implementation Fund

BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable Unfavorable )
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Federal grant	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Expenditures				
Current				
Instruction				
Salaries & Benefits	0	0	0	0
Purchase services	0	0	0	0
Supplies	0	0	0	0
Equipment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total instruction	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURE	0	0	0	0
Fund balance, July 1, 2010	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance, June 30, 2011	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

**SUPPLEMENTARY INFORMATION  
OPTIONAL**

Wings Charter Middle School, Inc.

Twin Falls, Idaho

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2011

	State Technology	Title ESEA	Title VI-B IDEA	Title II-A Improving Teaching	Totals
<b>ASSETS</b>					
Cash	\$ 0	\$ 3,365	\$ 3,691	\$ 0	\$ 7,056
Due from other governments	0	2,309	5,323	0	7,632
Total assets	<u>\$ 0</u>	<u>\$ 5,674</u>	<u>\$ 9,014</u>	<u>\$ 0</u>	<u>\$ 14,688</u>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities					
Accrued payroll & benefits	\$ 0	\$ 5,674	\$ 9,014	\$ 0	\$ 14,688
Fund equity					
Fund balance					
Unreserved					
Undesignated	0	0	0	0	0
Total fund equity	0	0	0	0	0
Total liabilities and fund equity	<u>\$ 0</u>	<u>\$ 5,674</u>	<u>\$ 9,014</u>	<u>\$ 0</u>	<u>\$ 14,688</u>

Wings Charter Middle School, Inc.

Twin Falls, Idaho

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2011

	<u>State Technology</u>	<u>Title ESEA</u>	<u>Title VI-B IDEA</u>	<u>Title II-A Improving Teaching</u>	<u>Totals</u>
Revenues					
Intergovernmental	\$ <u>0</u>	\$ <u>25,432</u>	\$ <u>23,066</u>	\$ <u>4,360</u>	\$ <u>52,858</u>
Expenditures	<u>159</u>	<u>25,432</u>	<u>23,066</u>	<u>4,360</u>	<u>53,017</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	( <u>159</u> )	<u>0</u>	<u>0</u>	<u>0</u>	( <u>159</u> )
Fund balance, July 1, 2010	<u>159</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>159</u>
Fund balance, July 1, 2011	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

#### **TRUST AND AGENCY FUNDS**

**Trust and Agency Funds** are used to maintain the operations of the various school activities. The monies, maintained by the Charter School, actually belong to the various student organizations.

**Wings Charter Middle School, Inc.**

**Twin Falls, Idaho**

**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS**

**June 30, 2011**

**ASSETS**

Cash	\$ 6,411
Investments	0
Receivable	<u>0</u>
Total assets	<u>\$ 6,411</u>

**LIABILITIES AND FUND EQUITY**

Due to student groups	<u>\$ 6,411</u>
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## **FEDERAL FINANCIAL ASSISTANCE**

**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees  
Wings Charter Middle School, Inc.

**Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the Wings Charter Middle School, Inc. as of and for the year ended June 30, 2011, and have issued our report thereon dated August 18, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board, management, others within the organization, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Ware & Associates*

Twin Falls, Idaho  
August 18, 2011



Wings Charter Middle School, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2011

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	<u>Federal CFDA Number</u>	<u>Federal Grant Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through the Superintendent of Public Instruction			
Chapter I Basic and Concentration Grants	84.010	SO10A100012	\$ 19,871
Handicapped-State Grants, Park B, I.D.E.A.	84.027	HO27A100088	23,066
Charter Schools (B)	84.282	U282A080010	141,969
Improving Teacher Quality State Grants	84.367	S367A100011	4,360
ARRA Title I Grants to Local Education Agencies, Recovery Act	84.389	S389A090012	511
ARRA Education Job Funds, Recovery Act	84.410	S410A100013	<u>14,086</u>
			<u>\$ 203,863</u>

See accompanying notes to schedule of expenditures of federal awards.

**Wings Charter Middle School, Inc.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2011**

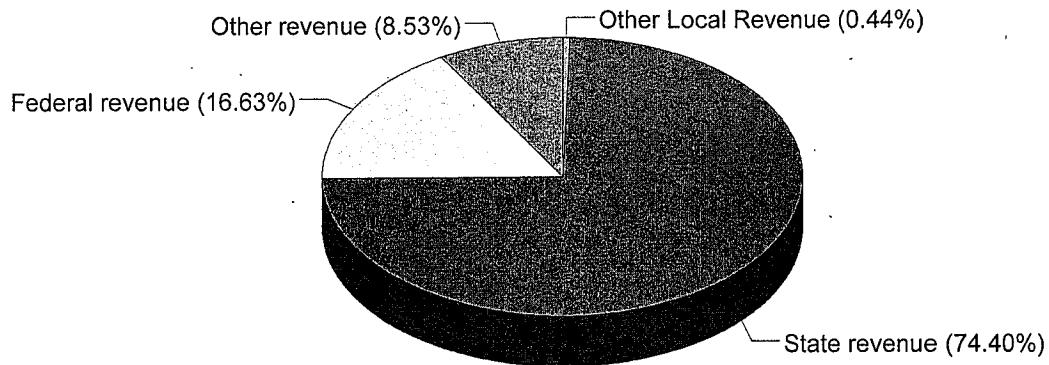
**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Wings Charter Middle School, Inc. and is presented in the general purpose financial statement on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

## OTHER INFORMATION

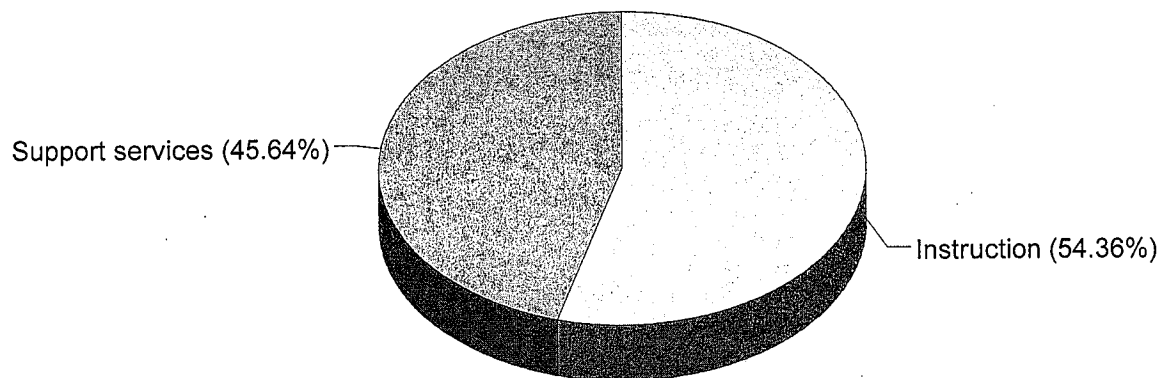
## **Wings Charter Middle School, Inc.**

### **Revenue - All Governmental Funds**



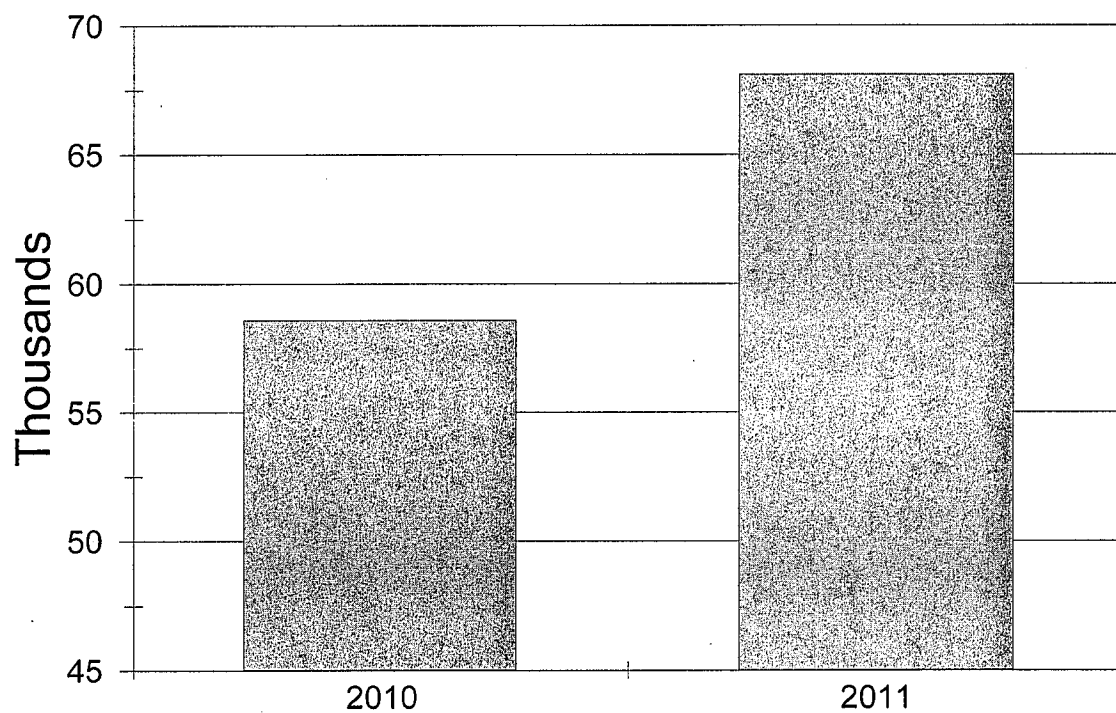
## **Wings Charter Middle School, Inc.**

### **Expenditures - All Government Funds**



# **Wings Charter Middle School, Inc.**

## **Fund Balance - General Fund**



**Wings Charter Middle School, Inc.**

**Schedule of Findings**

**For the Year Ended June 30, 2011**

**Finding 2011-1: Lack of ability to independently prepare financial statements and related footnote disclosures**

**Condition:** The Charter School does not have the ability to independently prepare financial statements and related footnote disclosures in accordance with generally accepted accounting principles.

**Criteria:** Inherent in an adequate internal control structure is the ability to independently prepare financial statements and related footnote disclosures in accordance with generally accepted accounting principles.

**Effect:** The lack of this ability may result in more than a remote likelihood that a misstatement of the financial statements will not be prevented or detected by the Charter School's internal control.

**Recommendation:** It is suggested the Charter School arrange for sufficient training of accounting personnel in order to provide them with the expertise necessary to prepare financial statements and related footnote disclosures in accordance with generally accepted accounting principles. Alternatively, the Charter School could contract with an individual or firm other than the audit firm to prepare the financial statements and related footnote disclosures.

**Response:** We, the management of Wings Charter Middle School, Inc., believe the benefit would be outweighed by the cost of training our accounting personnel or contracting with another individual or firm to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles. We have requested that the auditors assist in drafting the financial statements and related footnote disclosures during the course of the audit. We have reviewed, approved and accepted responsibility for those financial statements prior to their issuance.

**Finding 2011-2: Lack of segregation of duties**

**Condition:** The Charter School lacks a segregation of duties over accounting functions, including stewardship of cash and cash equivalents.

**Criteria:** Inherent in an adequate internal control structure is a segregation of duties governing the overall administration and stewardship of assets.

**Effect:** The lack of an ideal segregation of duties may increase the risk that loss of assets would not be detected and prevented in a timely manner and in the normal course of operations.

**Recommendation:** It is suggested the Charter School take such actions as hiring another person to assist in accounting duties, including the reconciling of cash and cash equivalents.

**Response:** District management has added an additional office person and given them responsibilities and tasks separate from the business manager. The additional office person will be assigned other duties and procedures which will reduce the risk of loss and lessen the possibility of fraud within the organization. It will also aid in detecting errors and irregularities within a reasonable amount of time before they get out of hand.